

### **3. PROJECTED HOUSING NEEDS**

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#### **NEW CONSTRUCTION NEED: 1999-2006**

According to State Housing Element Guidelines, Housing Elements must include an analysis of the number of housing units to be built, rehabilitated, and conserved in order to meet the locality's current and future housing needs. Following is an analysis of Los Gatos' new construction, rehabilitation and conservation needs.

#### **ESTIMATE OF NEED (1999-2006)**

Determining the number of new units needed in a community has been the responsibility of the regional "Council of Governments" in past years. The State of California provides population estimates to each regional government in the State and the regional government then allocates estimated housing units needed among member communities. ABAG (Association of Bay Area Governments) is the regional Council of Government that represents Los Gatos and neighboring communities in the Bay Area. During 1999-2000, ABAG developed the "Regional Housing Needs Determination" for its member communities and, on March 15, 2001, the ABAG Board of Directors certified the final numbers. The estimated number of housing units needed as determined and certified by ABAG reflect the planning period from January 1, 1999 to June 30, 2006.

According to the certified ABAG estimates, Los Gatos has a need of 402 new housing units between 1999-2006. This estimate was developed by ABAG based on various factors including projected population, job growth, land availability, vacancy rates and replacement housing needs.

#### **HOUSEHOLD NEED BY INCOME LEVEL**

After determining the number of additional households expected by the end of the planning period, ABAG further quantified future households by income level. The goal of this analysis was to distribute lower income households equitably throughout a region thereby avoiding undue concentrations of very low and low-income households in one jurisdiction.

For the Town of Los Gatos, the ABAG goal is that 26.6% of all new households will be lower income (very low and low income) households, or 107 total new lower income households. The remaining 195 households or 73.4% of the total



were estimated to be moderate or above moderate-income households. The exact breakdown of the income groups is as follows:

Very low Income	72 households (17.9%)
Low Income	35 households ( 8.7%)
Moderate Income	97 households (24.1%)
<u>Above Moderate Income</u>	<u>198 households (49.3%)</u>
<b>TOTAL</b>	<b>402 households (100%)</b>

The definitions of income used in the ABAG plan reflect the income definitions used by the State of California. See pages 10-11 in this document for further descriptions of income determinations.

## **ADJUSTED NEW CONSTRUCTION NEED: 2002-2006**

The ABAG new construction need was certified in 2001 and reflects the period from January 1, 1999 to June 30, 2006. Since this Housing Element document was written and adopted in 2002, it is important to adjust the totals in order to reflect the units that have been added to the stock between January 1, 1999-January 1, 2001.

According to data from the Department of Finance (DOF), State of California, there were 20 units added to the housing stock in Los Gatos from January 1999 to January 2001. In 1999, there were 12,426 units total in Los Gatos and, in 2001, that figure had increased to 12,446 units. From 2001 to Spring 2002, there were 283 additional units approved/under construction in the Town.

### **Units Approved/Under Construction January 2001-Spring, 2002**

Boyer Lane	25 Units
Vasona Gateway (Sobrato)	135 Units
Terreno de Flores	19 Units
Farley Road West	7 Units
Live Oak Apartments	49 Units
1300 Pollard Road	12 Units
Villa Capri	35 Units
Habitat for Humanity	<u>1 Unit</u>
<b>TOTAL</b>	<b>283 Units</b>

Since the ABAG data reflects the 1999-2006 time period, the new construction estimate must be adjusted by the number of units added to the housing stock between 1999-2001 (20 units) and the units approved and/or under construction

as of Spring 2002 (283 units), a total of 303 units. Therefore, the original 402 unit new construction need as estimated by ABAG needs to be adjusted by 303 units. However, this estimate needs to be further adjusted by housing need by income level.

### HOUSING NEED BY INCOME LEVEL, ADJUSTED 2002-2006

The new construction estimate is composed of different household income groups as explained previously in this section. In addition to revising the total new construction estimate, the number of units provided in the 1999-2002 time frame for very low, low and moderate-income households needs to be identified and the total adjusted for those units. There were a total of 72 affordable units approved/built during the 1999-2002 period.

ILLUSTRATION # 13: HOUSING UNITS BUILT/APPROVED,  
BY HOUSEHOLD INCOME LEVEL 1999-2002

HOUSEHOLD INCOME LEVEL	DEVELOPMENT	STATUS (SUMMER 2002)	UNITS
AFFORDABLE TO VERY LOW INCOME HOUSEHOLDS	<i>Los Gatos Creek Village Apartments</i>	Built/Occupied	12 Units
	<i>Habitat for Humanity</i>	Approved	1 Unit
	TOTAL FOR VERY LOW		13 UNITS
AFFORDABLE TO LOW-INCOME HOUSEHOLDS	<i>Bella Vista</i>	Built/Occupied	2 BMP Units
	<i>The Village</i>	Built/Occupied	1 BMP Unit
	<i>Terreno de Flores</i>	Approved	2 BMP (Rentals)
	<i>Farley Road West</i>	Approved	4 BMP (Rentals)
	<i>Live Oak Apts.</i>	Approved	7 BMP (Rentals)
	<i>1300 Pollard Road</i>	Under Construction	1 BMP (Rental)
	<i>Boyer Lane</i>	Built	3 BMP (Rentals)
	<i>Vasona Gateway (Sobrato Develop.)</i>	Approved	27 BMP (Rentals)
	<i>Villa Capri</i>	Approved	2 BMP Units
	TOTAL FOR LOW-INCOME		49 UNITS
AFFORDABLE TO MODERATE-INCOME HOUSEHOLDS	<i>Bella Vista</i>	Built/Occupied	4 BMP Units
	<i>The Village</i>	Built/Occupied	1 BMP Unit
	<i>Terreno de Flores</i>	Approved	2 BMP Units
	<i>Calle Margarita</i>	Approved	1 BMP Unit
	<i>Villa Capri</i>	Approved	2 BMP Units
	TOTAL FOR MODERATE-INCOME		10 UNITS
	TOTAL FOR ALL UNITS		72 UNITS



All of the units identified in Illustration #13 on the previous page have affordability controls. The BMP (Below Market Price) units have restrictions, which control their affordability “in perpetuity.” Some of the BMP units also include “priorities” for teachers or public employees; however, the income eligibility and affordability restrictions remain the same as other BMP units. Habitat for Humanity housing units also require affordability restrictions that are “in perpetuity.” The Los Gatos Creek Village Apartments have affordability restrictions that are in effect until 2049. These affordable units represent a total of 72 units built/approved between 1999-2002. Therefore, of the total 303 units built/approved from 1999-2002, 72 are affordable to very low, low or moderate income and the remaining 231 are above moderate-income units

After adjusting for units built or approved from 1999 to Summer 2002 then, the revised Regional Housing Need for the Town of Los Gatos from 2002 to June 30, 2006 is 132 units. Of that total, there is a need for 59 very low-income units and 73 moderate-income units.

**ILLUSTRATION # 14: REVISED REGIONAL HOUSING NEEDS 2002-2006**

<b>HOUSEHOLD INCOME LEVEL</b>	<b>ESTIMATED NEW UNIT NEED (1999-2006)</b>	<b>TOTAL UNITS BUILT OR APPROVED (1999-2002)</b>	<b>REVISED NEW UNIT NEED (2002-2006)</b>
<b>Very Low</b>	72 Units	13 Units	<b>59 Units</b>
<b>Low</b>	35 Units	49 Units	<b>0 Units</b>
<b>Moderate</b>	97 Units	10 Units (+14 unit “surplus” of low income units )= 24 Units	<b>73 Units</b>
<b>Above Moderate</b>	198 Units	231 Units	<b>0 Units</b>
<b>TOTAL</b>	<b>402 Units</b>	<b>267 Units</b>	<b>132 Units</b>

### CONSERVATION OF AFFORDABLE UNITS

State Housing Element law requires that all Housing Elements include additional information regarding the conversion of existing, assisted housing developments to other non-low income uses (Statutes of 1989, Chapter 1452). This was the result of concern that many affordable housing developments throughout the country were going to have affordability restrictions lifted because their government financing was soon to expire or could be pre-paid. Without the sanctions imposed due to financing, affordability of the units could no longer be assured.

Following are the required components to be discussed in an analysis of the conservation of the "at risk" units in a community.

- 1. Description and Identification of Potential "At Risk" Projects**

- Federally-Assisted Projects
- State and Locally Assisted Projects

- 2. Cost Analysis of Preserving "At Risk" Units**

- 3. Resources for Preservation**

- Public Agencies and Non Profit Housing Corporations

- 4. Quantified Objectives for "At Risk" Units**

### DESCRIPTION AND IDENTIFICATION OF POTENTIAL "AT-RISK" PROJECTS

Projects that are subject to an evaluation of their "at risk" potential are listed on the following pages. The projects are identified according to their primary funding source.

#### ***Federally Assisted Projects:***

- 1. RURAL DEVELOPMENT/FARMERS HOME ADMINISTRATION (FMHA)**

There are no Rural Development/Farmers Home Administration assisted units in the Town of Los Gatos.

- 2. SECTION 8 ASSISTANCE**

#### **VILLA VASONA**

Villa Vasona, a 107 unit elderly and handicapped development, is located at 626 W.Parr Avenue. It is owned by PMG Properties and was originally financed with CDBG (Community Development Block Grant) funds from the Town of Los Gatos as well as Section 8 New Construction funds. The Section 8 funding provided a rental subsidy guarantee to all 107 tenants that will expire in November 2004.



As part of its agreement with the original owners of Villa Vasona, ownership of the development was to be transferred to the Town 65 years after the completion of development (approximately year 2049) for \$1.00. Further, the agreement specifies that there are no rent limits set in the event that Section 8 rent subsidies expire. The agreement does state that if the subsidy does expire, the development is to continue renting to elderly and handicapped residents of low and moderate income, as defined by HUD regulations. As the year 2004 approaches, the Town will need to review this agreement. Specifically, while the agreement may specify that units have to be rented to low and moderate households, it is unclear whether the rents will have to be affordable to low and moderate income households. The affordability of the units is as important as the occupancy of the units and the continued affordability of the units should be preserved as much as possible.



### ***Villa Vasona Provides Elderly and Handicapped Housing Opportunities***

As the information on the previous page indicates, Villa Vasona is definitely considered an “at risk” project. Although the agreement appears to state that the units need to continue to be rented to low and moderate income elderly and handicapped households, there appears to be no requirement that the rents will be affordable when the Section 8 subsidy expires in November 2004. This would

indicate that there needs to be an effort on the part of the owners to renew the Section 8 subsidy or that there may be a need for some Town assistance to continue to ensure the affordability of the units. Please see Program #17 in Chapter 8 of this document for additional information about actions to be taken to conserve these affordable units.

### **3. HOME AND CDBG**

There are multi-family units funded with CDBG funds in Los Gatos. In all instances, the units also received local financial assistance. In order to avoid repetitive text, these units are specifically identified in the narrative that follows, *"State and Local Assistance."*

#### ***State and Local Assistance***

##### **1. SINGLE FAMILY DEVELOPMENTS**

The Town's "Below Market Price" Housing Program was first adopted in 1979. The Program is an Inclusionary Housing program that requires a certain amount of units or in-lieu fees to be paid for residential development. There are 62 built and occupied units in the BMP program (including 29 units at The Terraces), with another 37 BMP units approved as of Spring 2002. Should the owners wish to sell their units, the resale price is controlled and the units are to be sold to another income-eligible household. In the past, there were some units that were released from the program's resale restrictions because of problems with the original resale calculations. This problem has since been corrected and it is not anticipated that there will be any further units released from the program's resale controls.

##### **2. MULTI-FAMILY DEVELOPMENTS**

All of the multi-family affordable developments in the Town were financed with a variety of funding sources. State funding and Low Income Tax Credits were used as well as Town Redevelopment funds. Further, there was one multi-family rental development ("The Terraces") that was developed pursuant to the Town's "Below Market Price" program. Following is a description of the multi-family rental units in the Town developed with some type of State/local funding source or requirement.

###### **A. THE TERRACES**

###### **800 BLOSSOM HILL ROAD, LOS GATOS**

The Terraces is a continuing care facility for the elderly. In 1993, the owners signed an agreement with the Town to provide 29 units at reduced prices for lower income (80% of median income and below) households. The agreement required that the units be provided "in perpetuity." Therefore, these units are not at risk of losing their affordability status.



**B. OPEN DOORS**

**634 PARR AVENUE, LOS GATOS**

Open Doors is a 64-unit rental housing development, managed by Mid-Peninsula Housing Coalition. The development was financed with Low Income Tax Credits, state and local financing and other funding sources. The affordability restrictions of the tax credits do not expire until 2048.

**C. LOS GATOS FOUR-PLEX**

**221 NICHOLSON AVENUE, LOS GATOS**

Mid-Peninsula Housing Coalition also manages this 4-unit development. The units are occupied by very low income, elderly rental households. It is important to note that when the Town Council approved

the change in zoning to “Planned Development” (PD) for the Los Gatos Four-Plex, there were restrictions placed on the property that provided for the continued use of the housing for low-income elderly. Therefore, unless the Town approves a change in zoning or in the conditions of the PD zone, the owners are required to continue the use as housing for low-income elderly.

**D. 95 FAIRVIEW PLAZA, LOS GATOS**

This is a four-plex development with State and local assistance to help with the acquisition and rehabilitation costs. There are no on-going project based rent subsidies. The project at this time is not at risk of losing its affordability status. The development is managed by Community Housing Developers.

**E. LOS GATOS CREEK VILLAGE APARTMENTS,**

**31 MILES AVENUE, LOS GATOS**

This 12-unit rental development was built in 2001 and is managed by Community Housing Developers. Very low-income households occupy all 12 units. Among other funding sources, the development was financed with Town Redevelopment funds and CDBG funds. Affordability restrictions do not expire until 2049 (50 year period beginning in 1999).



### ILLUSTRATION # 15: INVENTORY OF PUBLICLY ASSISTED, MULTI-FAMILY UNITS Town of Los Gatos

Name of Development	Project Type	Governmental Assistance	Is Development "At Risk?" Between 2002-2011?
Villa Vasona	Rental Elderly and Handicapped Units	Section 8 Assistance scheduled to expire in November 2004	Yes
The Terraces	Continuing Care Facility For Elderly	BMP Agreement to Provide Affordable Units in Perpetuity	No
Open Doors	Rental Units for Family/Elderly	Low Income Tax Credits, State and Local Assistance	No
Los Gatos Four-Plex	Rental Units for Elderly	State and Local Assistance	No
95 Fairview Plaza	Rental Units for Family/Elderly	State and Local Assistance	No
Los Gatos Creek Village Apartments	Rental Units for Family/Elderly	CDBG and Local Assistance	No

### COST ANALYSIS OF PRESERVING "AT RISK" UNITS

The cost of replacing existing affordable units is significant. For example, Los Gatos Creek Village Apartments, a 12-unit development affordable to very low-income households, was built in 1999. At that time, the development cost per unit was \$163,000. Using the \$163,000 figure as a very conservative estimate, the cost of replacing the 107 unit Villa Vasona development would be at least \$17 million dollars.

If just the cost of providing rental subsidies alone were calculated, the expense would still be significant. For example, a very low-income household of 1 person should spend no more than \$800 per month for housing (using a 30% housing cost to income ratio for the year 2002). The market rental cost of a 1-bedroom apartment in 2002 was \$1769 per month. Therefore, it would take a \$969 subsidy monthly to "write down" the cost of the monthly rental to a level that would be affordable to a very low-income household. If the subsidy were provided to all 107 households at Villa Vasona, the minimum cost would be \$103,683 monthly.



## RESOURCES FOR PRESERVATION

### ***Public Agencies***

The Town of Los Gatos is fortunate to have an active **Redevelopment Agency**, which is committed to preserving and producing affordable housing opportunities. The Redevelopment Agency manages the Redevelopment Housing Set-Aside fund which, among other uses, can be used to preserve affordable housing units.

In addition, the Town could utilize CDBG and HOME funds as well as the Housing In-Lieu Fee fund to assist with preservation activities.

The **Housing Authority of County of Santa Clara** can also assist in preserving affordable units that are “at risk.”

### ***Non-Profit Agencies***

In addition to the two public agencies identified above, Los Gatos is fortunate to have several active non-profit agencies involved in affordable housing. Examples of non-profits active in the Town:

Mid-Peninsula Housing Coalition,  
Open Doors Associates,  
Community Housing Developers, and  
Habitat for Humanity.

These non-profits are examples of potential partners that the Town could approach in preventing affordable units from converting to market rate units.

## QUANTIFIED OBJECTIVES AND PROGRAM EFFORTS FOR "AT RISK" UNITS

As part of the objectives of this Housing Element Update, quantified objectives were established for the construction, rehabilitation and conservation of units (see page 81, “Housing Program Strategy, 2002-2006”). The specific objective is the preservation of 220 affordable units. Further, the program section also includes a program action for the 2002-2003 time frame requiring the Town to develop a strategy to preserve the affordability of the 107 units at Villa Vasona.